

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 PM-05 MCE-00 CIAE-00 INR-10 NSAE-00

ACDA-12 AID-05 SS-15 SP-02 OMB-01 TRSE-00 L-03

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC 3918

INFO SECDEF WASHDC

CINCPAC

CDR USASAC ALEXANDRIA VA

JUSMAG PHIL

C O N F I D E N T I A L MANILA 5376

E.O. 11652: GDS

TAGS: MASS, RP

SUBJECT: 57MM RECOILLESS RIFLE AMMO

REF: (A) STATE 69203: (170653Z MAR 78); (B) MANILA 4611

(220344Z MAR 78); (C) SECDEF 301914Z MAR 78

1. REF A REQUESTED EMBASSY/JUSMAG REACTION TO THE POSSIBILITY OF DIVERTING 8,200 ROUNDS OR MORE OF 57MM, HE, RECOILLESS RIFLE AMMUNITION TO BURMA FROM PHILIPPINES FMS CASE UGW. REF A INDICATED THAT THE DIVERTED ROUNDS COULD BE REPLACED IN 12-15 MONTHS. IN REF B THE EMBASSY AND JUSMAG CONCURRED IN THE DIVERSION OF THE 8,200 ROUNDS WITH THE UNDERSTANDING THAT THESE ROUNDS BE REPLACED AT THE CASE UGW PRICE OF \$36.64 EACH. REF C INDICATES THAT THE 8,200 ROUNDS WILL BE OFFERED TO BURMA BUT THAT THERE CAN BE NO GUARANTEE THAT THE REPLACEMENT AMMO WILL BE AT THE SAME PRICE.

2. WE RECOGNIZE THAT DOD CAN EXERCISE ONLY LIMITED CONTROL OVER PRICE INCREASES ON NEW PROCUREMENTS.

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HOWEVER, WE SEE IMPORTANT REASONS FOR MAKING A SPECIAL EFFORT TO INSURE THAT THE REPLACEMENT COST TO THE GOP FOR THE 8,200 ROUNDS DOES NOT EXCEED THE ORIGINAL PRICE EVEN IF THE USG MUST ABSORB THE COST INCREASES. THE FOLLOWING CONSIDERATIONS ARE SIGNIFICANT:

A. THE DIVERSION WILL HAVE BEEN MADE TO FURTHER

USG INTERESTS, NOT GOP INTERESTS, AND THE GOP WILL VIEW IT IN THAT LIGHT.

B. THE AMMO ON CASE UGW SHOULD HAVE BEEN OFFERED OR RELEASED TO THE GOP'S FREIGHT FORWARDER BY 15 FEBRUARY 1978 OR EARLIER IN ACCORDANCE WITH THE AVAILABILITY DATA REFLECTED ON THE LOA (DD FORM 1513).

C. IT IS AN UNUSUAL BUSINESS PRACTICE TO PROVIDE THE SAME ITEM TO THE SAME "PURCHASER" AT TWO OR MORE DIFFERENT PRICES WHEN THE ITEM HAS BEEN ORDERED AT ONE TIME AND THE ORDER HAS BEEN FORMALLY ACCEPTED BY "THE SELLER" AT THE PRICE INDICATED ON THE CONTRACT.

D. DURING THIS PERIOD OF BASE DISCUSSIONS, THE USG SHOULD MAKE EVERY EFFORT TO AVOID ACTIONS WHICH MIGHT GENERATE PHILIPPINE DISSATISFACTION WITH OUR ONGOING PROGRAMS. IF THE 8,200 REPLACEMENT ROUNDS ARE DELAYED, WE ANTICIPATE ONLY A MINIMAL GOP REACTION, IF ANY AT ALL. BUT, IF THE 8,200 REPLACEMENT ROUNDS ARE DELAYED AND THE GOP IS SUBJECTED TO A PRICE INCREASE, THE GOP WILL LIKELY CHARGE US WITH RENEGING ON A COMMITMENT. THIS IS OBVIOUSLY NOT THE TIME FOR THAT.

3. WE URGE THAT ANOTHER METHOD BE FOUND FOR
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RECOUPING ANY PRICE INCREASE WHICH MIGHT OCCUR FOR THE 8,200 REPLACEMENT ROUNDS. FOR EXAMPLE, WOULD IT NOT BE FEASIBLE TO CHARGE THE GUB THE REPLACEMENT COST SINCE IT IS THE GUB, NOT THE PHILIPPINES, THAT IS NECESSITATING REPLACEMENT FOR PROCUREMENT? PLEASE ADVISE.
STULL

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